

# netmarble

## 2Q 2018 Earnings Results

August 8, 2018



# DISCLAIMER

The financial information included in this document are consolidated earnings results based on K-IFRS.

The “financial results for 2Q 2018” for Netmarble (the “Company”) contained in this document have been provided for investors’ convenience only and have not been audited by an independent auditor. Therefore, certain part(s) of this document are subject to change upon the audit outcome.

This document contains “forward-looking statements” – that is, statements related to future, not past, events. In this context, “forward-looking statements” often address our expected future business and financial performance, and often contain words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” or “will.” “Forward-looking statements” by their nature address matters that are, to different degrees, uncertain. For us, particular uncertainties which could adversely or positively affect our future results include the behavior of financial markets, the Company’s strategic actions, unanticipated dramatic developments in our major business conditions, and numerous other matters at the national and international levels which could affect our financial results.

These uncertainties may cause our actual results to be materially different from those expressed in this document.

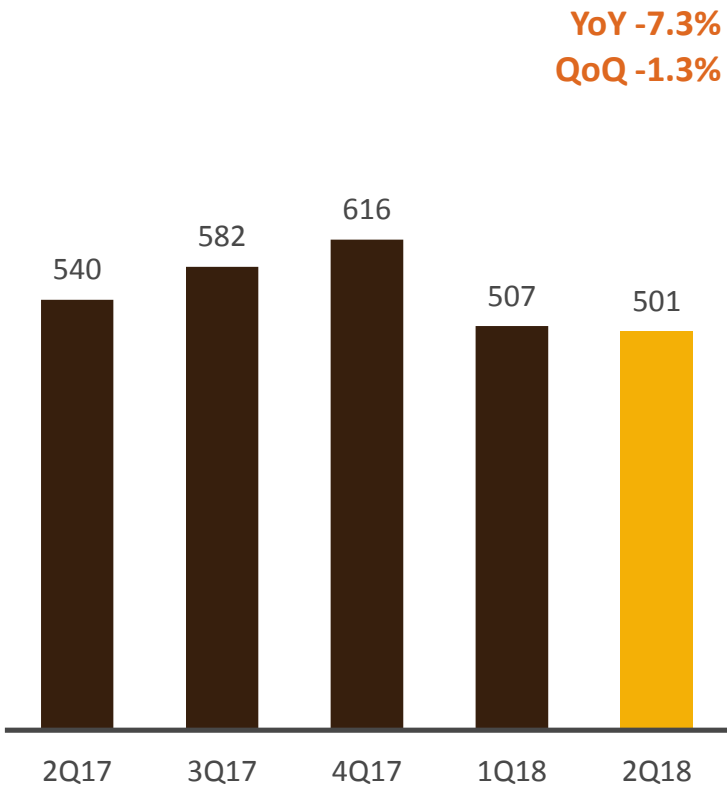
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# 1. FINANCIAL HIGHLIGHTS OF 2Q 2018

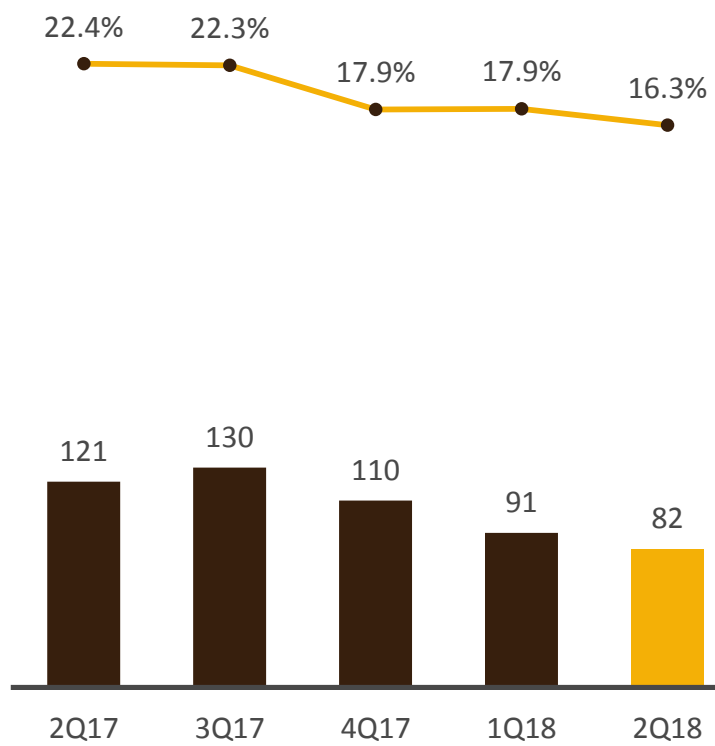
- 2Q recorded revenue of W500.8bn (YoY -7.3%, QoQ -1.3%), EBITDA of W81.6bn (YoY -32.7%, QoQ -10.3%), and operating profit of W62.2bn (YoY -40.8%, QoQ -16.2%)
- EBITDA margin and operating profit margin were 16.3% and 12.4%, respectively

Revenue

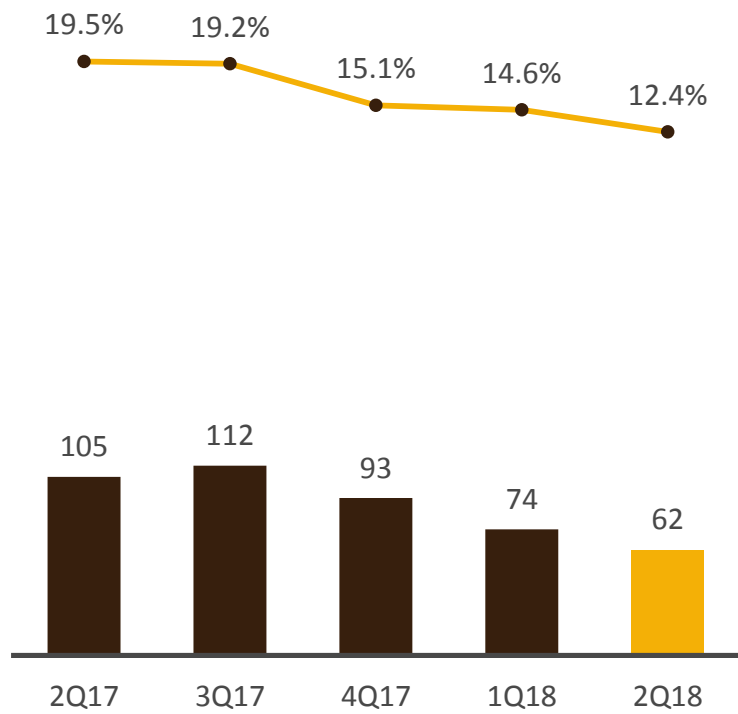


YoY -7.3%  
QoQ -1.3%

EBITDA



Operating Profit

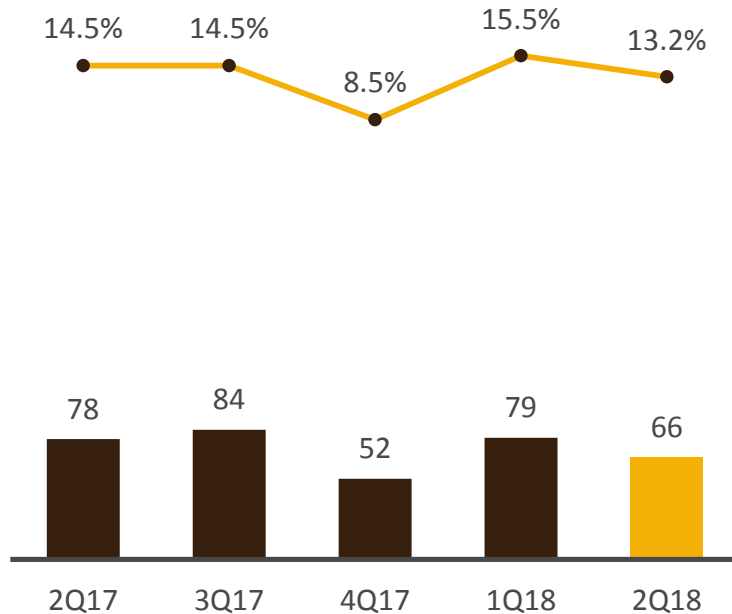


(Unit : W bn)

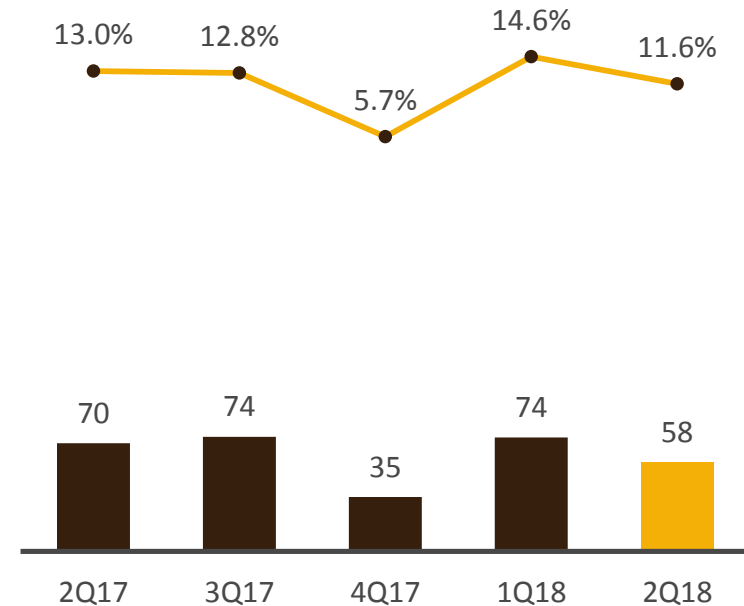
# 1. FINANCIAL HIGHLIGHTS OF 2Q 2018

- Net profit was W66.3bn (YoY -15.1%, QoQ -16.0%). Net profit (controlling) was W57.9bn (YoY -17.5%, QoQ -21.7%)
- Margins for net profit and net profit (controlling) were 13.2% and 11.6%, respectively
- Deferred revenue of W31.8bn and the associated operating profit from Harry Potter dragged down 2Q revenue and operating profit under market consensus

## Net Profit



## Net Profit (Controlling)

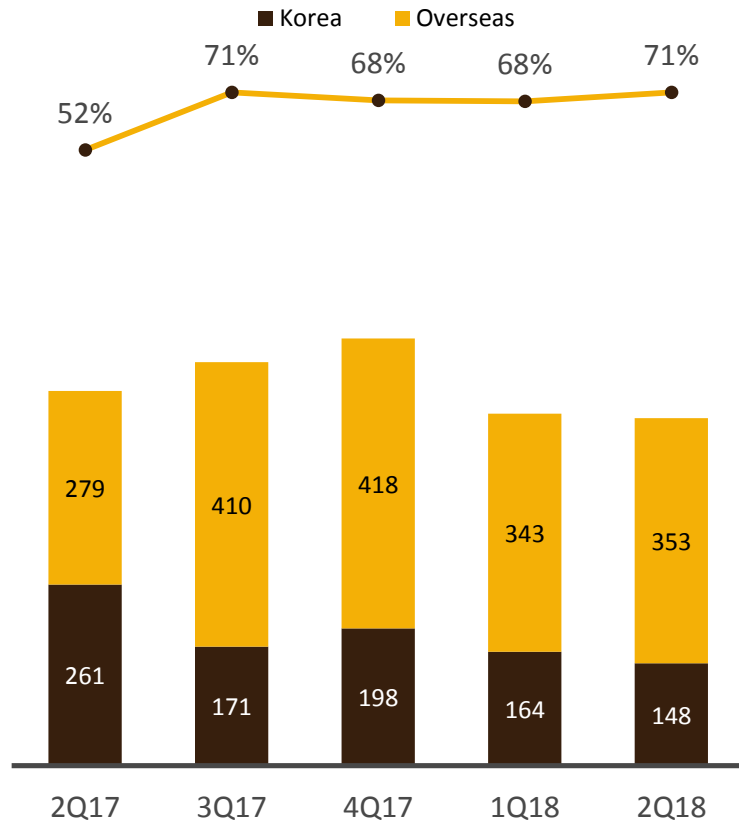


(Unit : W bn)

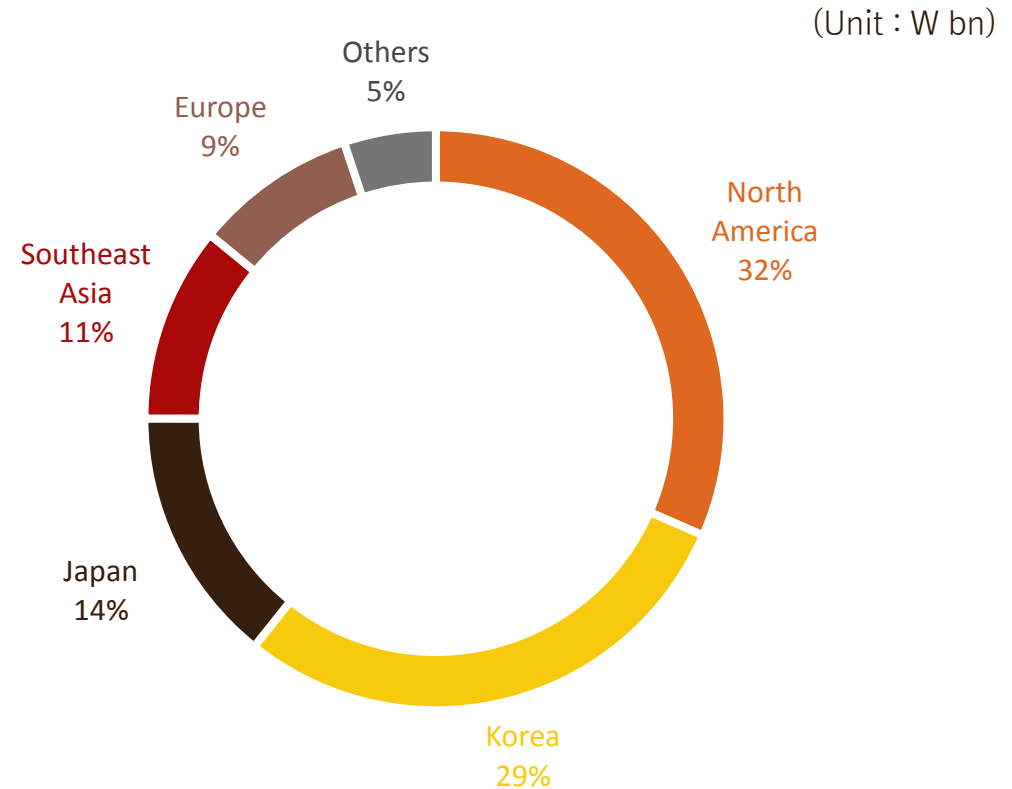
## 2. OVERSEAS REVENUE SHARE

- Overseas revenue for 2Q was W353.2bn. Proportion of overseas revenue rose +3%p to 71%
- Revenues were diversified across N.America (32%), Korea (29%), Japan (14%), SEA (11%), Europe (9%) and others (5%)

### Korea & Overseas Revenue Share



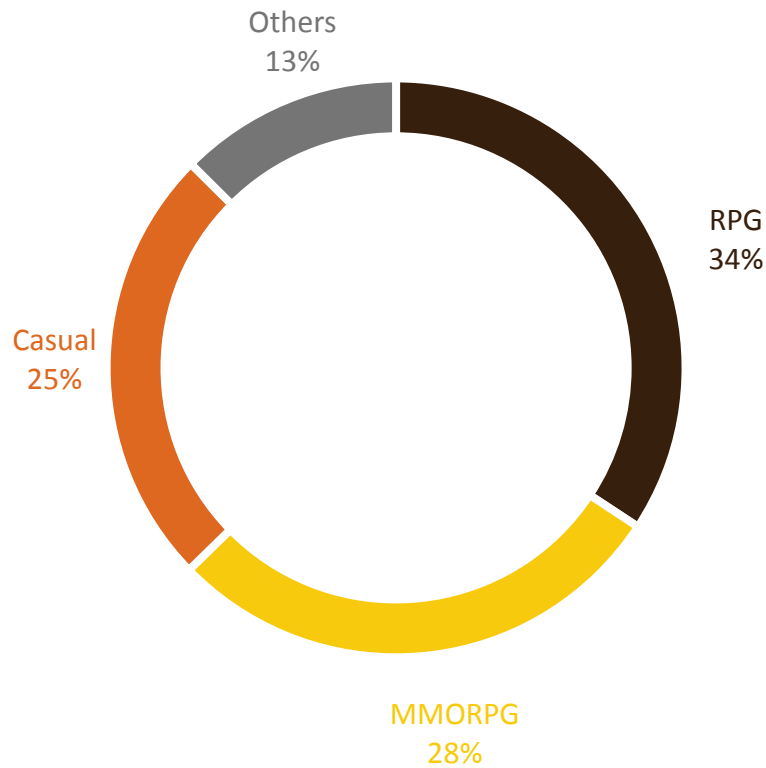
### Revenue Breakdown by Region



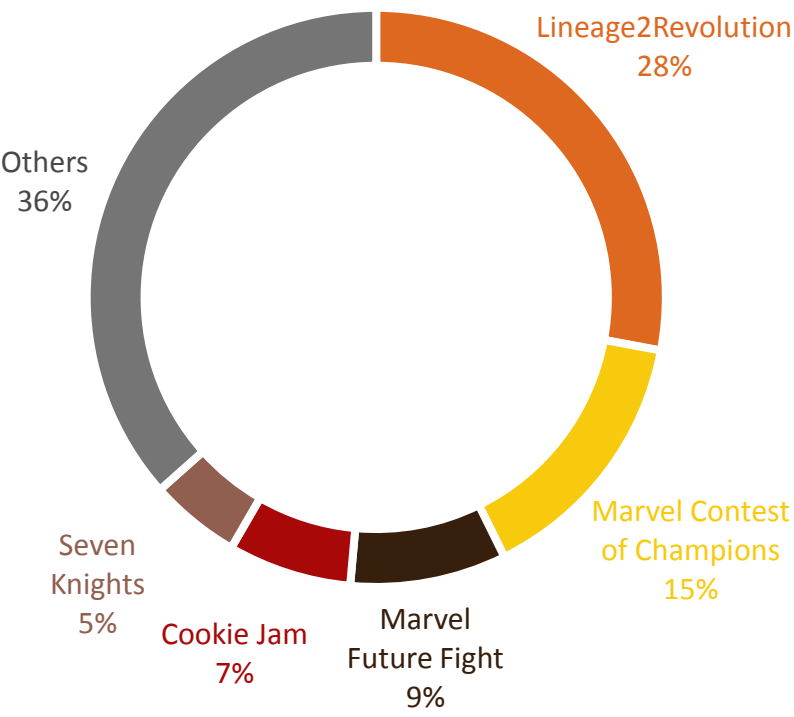
### 3. GAME PORTFOLIO

- Genre portfolio showed diversification across RPG (34%), MMORPG (28%), Casual (25%), and others (13%)
- Game portfolio continues to be well balanced with 5 games each of which contributes at least 5% to the total revenue
- Top revenue generators are L2R, MCoC, Marvel Future Fight, Cookie Jam and Seven Knights respectively

Revenue Breakdown by Genre



Revenue Breakdown by Major Games

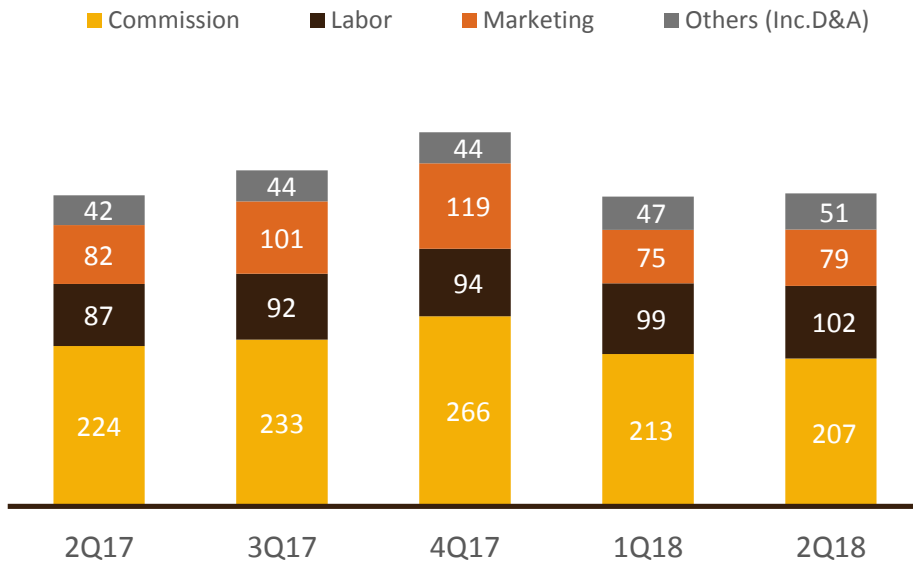


NOTE: Major Games are games accounting for over 5% of the total revenue

## 4. MAJOR COST STRUCTURES

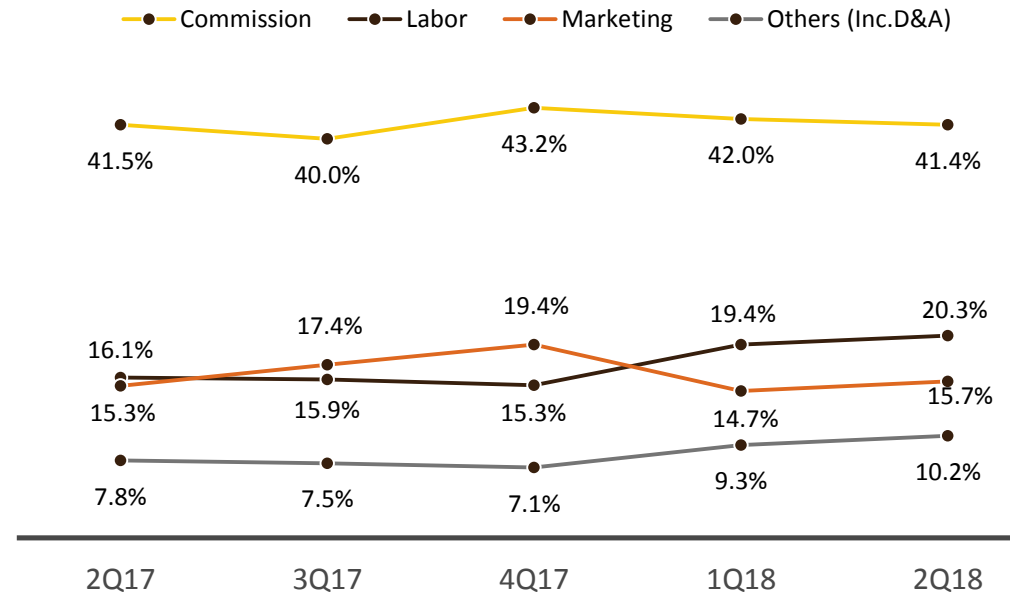
- 2Q operating cost rose to W438.6bn (YoY +0.8%, QoQ +1.2%)
- Labor cost increased to W101.7bn (YoY +17.2%, QoQ +2.8%) as the number of new projects rose and the enhancement of working environment
- Marketing cost slightly increased to W78.6bn (YoY -4.6%, QoQ +5.2%) due to the launch of Harry Potter
- Other costs were mostly attributable to the increase in PPA\* due to the release of new games

### Operating Costs



### Breakdown of Revenue by Operating Costs

(Unit : W bn)





## 5. Focus of 3Q 2018

- King of Fighters: All Star launched in Japan on July 26<sup>th</sup>. Soon to be launched globally including in Korea
- Considering the recent market trends, Blade & Soul Revolution is developing additional contents in order to strengthen its competitiveness and will be launched in the near future

### The King of Fighters: All Star Release in Japan



### Blade&Soul Revolution



# APPENDIX. CONSOLIDATED FINANCIAL STATEMENTS

## Consolidated Income Statement

(KRW bn)	2Q17	3Q17	4Q17	1Q18	2Q18
<b>Revenue</b>	<b>540</b>	<b>582</b>	<b>616</b>	<b>507</b>	<b>501</b>
Commission	224	233	266	213	207
Labor Cost	87	92	94	99	102
Advertising Cost	82	101	119	74	79
Other Costs (exc. D&A)	26	26	26	30	31
<b>EBITDA</b>	<b>121</b>	<b>130</b>	<b>110</b>	<b>91</b>	<b>82</b>
Margin (%)	22.4%	22.3%	17.9%	17.9%	16.3%
D&A	16	18	17	17	20
<b>Operating Income</b>	<b>105</b>	<b>112</b>	<b>93</b>	<b>74</b>	<b>62</b>
Margin (%)	19.4%	19.2%	15.1%	14.6%	12.4%
Non-Operating Income	10	13	21	40	36
Non-Operating Cost	7	19	47	9	10
<b>Pre-tax Profit</b>	<b>108</b>	<b>106</b>	<b>67</b>	<b>105</b>	<b>88</b>
Tax	30	22	14	26	22
<b>Net Profit</b>	<b>78</b>	<b>84</b>	<b>52</b>	<b>79</b>	<b>66</b>
<b>Net Profit (controlling)</b>	<b>70</b>	<b>74</b>	<b>35</b>	<b>74</b>	<b>58</b>
Margin (%)	13.0%	12.8%	5.7%	14.6%	11.6%

## Consolidated Statement of Financial Position

(Unit : W bn)

(KRW bn)	2Q17	3Q17	4Q17	1Q18	2Q18
<b>Current Assets</b>	<b>2,750</b>	<b>2,815</b>	<b>2,918</b>	<b>2,854</b>	<b>2,660</b>
Cash and Cash Equivalents	1,856	1,884	1,908	1,751	1,642
Accounts Receivable	215	265	291	224	248
Other Current Financial Assets	609	595	650	805	677
Other Current Assets	70	71	69	74	93
<b>Non-Current Assets</b>	<b>2,362</b>	<b>2,572</b>	<b>2,429</b>	<b>2,446</b>	<b>2,618</b>
Investment Assets	800	983	942	926	1,087
Intangible Assets	1,339	1,336	1,237	1,258	1,295
Tangible Assets	135	140	145	150	154
Other Non-Current Assets	88	113	106	111	82
<b>Total Assets</b>	<b>5,112</b>	<b>5,387</b>	<b>5,348</b>	<b>5,300</b>	<b>5,278</b>
<b>Current Liabilities</b>	<b>421</b>	<b>453</b>	<b>501</b>	<b>458</b>	<b>385</b>
Accounts Payable	95	102	121	87	94
Debt	5	4	4	4	5
Other Current Financial Liabilities	136	151	117	150	86
Other Current Liabilities	185	196	260	217	200
<b>Non-Current Liabilities</b>	<b>387</b>	<b>418</b>	<b>381</b>	<b>359</b>	<b>343</b>
Other Non-Current Financial Liabilities	244	237	234	216	216
Other Non-Current Assets	143	181	147	143	127
<b>Total Liabilities</b>	<b>808</b>	<b>871</b>	<b>882</b>	<b>816</b>	<b>728</b>
<b>Total Equity</b>	<b>4,304</b>	<b>4,516</b>	<b>4,465</b>	<b>4,484</b>	<b>4,550</b>

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